

Message Text

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ACTION STR-07

INFO OCT-01 EUR-12 NEA-10 IO-13 ISO-00 STRE-00 CEA-01
CIAE-00 COME-00 DODE-00 EB-08 FRB-03 H-01 INR-10
INT-05 L-03 LAB-04 NSAE-00 NSC-05 PA-01 CTME-00
AID-05 SS-15 ITC-01 TRSE-00 USIA-06 SP-02 SOE-02
OMB-01 DOE-11 AF-10 /137 W
-----092652 132123Z /63

R 131708Z MAR 78
FM AMEMBASSY BONN
TO SECSTATE WASHDC 6709
INFO AMEMBASSY BRUSSELS
AMEMBASSY COPENHAGEN
AMEMBASSY DUBLIN
AMEMBASSY LONDON
AMEMBASSY LUXEMBOURG
AMEMBASSY ROME
AMEMBASSY THE HAGUE
AMEMBASSY PARIS
USMISSION GENEVA
AMEMBASSY TEL AVIV
AMEMBASSY ALGIERS
AMEMBASSY RABAT
AMEMBASSY TUNIS
AMEMBASSY CAIRO
AMEMBASSY AMMAN
AMEMBASSY BEIRUT
AMEMBASSY ANKARA
USDA/FAS WASHDC

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USEEC ALSO FOR EMBASSY

E.O. 11652: N/A
TAGS: EAGR, ETRD, EC, GW
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SUBJECT: INCREASED CITRUS PREFERENCES--ISRAEL,
MASHREK COUNTRIES

REF: A. BONN 2427 B. STATE 25799

1. WE HAVE RECEIVED REPLY TO OUR LETTER TO
STAATSEKRETAER ROHR ON THE SUBJECT OF CITRUS

PREFERENCES. THE ARGUMENTS REST PRIMARILY ON FRG SUPPORT OF EQUAL TREATMENT FOR ISRAEL, MASHREK COUNTRIES AND TURKEY AMONG MEDITERRANEAN COUNTRIES, BUT ALSO ON ECONOMIC EFFECT OF INCREASE IN PREFERENCES.

2. TRANSLATION OF LETTER IS AS FOLLOWS:

"THANK YOU VERY MUCH FOR YOUR LETTER OF FEBRUARY 8, 1978, IN WHICH YOU CONVEY YOUR GOVERNMENT'S CONCERN AT THE INCREASE OF THE DUTY PREFERENCE CURRENTLY BEING DISCUSSED IN THE COMMUNITY FOR SWEET ORANGES FROM ISRAEL, THE MASHREK COUNTRIES, AND TURKEY.

THE INCREASE IN THE DUTY PREFERENCES IS INTENDED TO GRANT THE ABOVE-MENTIONED COUNTRIES EQUAL TREATMENT WITH THE MAGHREB COUNTRIES AS WAS FORESEEN IN THE DECLARATION OF INTENT IN THE FRAMEWORK OF THE ORIGINAL AGREEMENTS WITH THESE COUNTRIES. OF THESE, ONLY ISRAEL IS A COMPETITOR OF ANY SIGNIFICANCE. ANOTHER FACTOR TO CONSIDER IS THAT ISRAEL IN PARTICULAR IS BADLY HURT ECONOMICALLY BY THE DECREASE IN DUTY PREFERENCES GRANTED FOR ITS ORANGES ON THE BRITISH MARKET SINCE THE END OF THE ACCESSION TRANSITION PERIOD ON DECEMBER 31, 1977.

THE DUTY PREFERENCES ARE A PART OF THE MEDITERRANEAN LIMITED OFFICIAL USE

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POLICY OF THE COMMUNITY. THIS POLICY GIVES DUE CONSIDERATION TO OUR CLOSE, NEIGHBORLY RELATIONSHIP IN THE POLITICAL AND ECONOMIC SPHERES AND IS INTENDED TO CONTRIBUTE TO THE STABILITY AND DEVELOPMENT OF THIS REGION. IN THE LAST ANALYSIS, SUCH A POLICY COINCIDES WITH THE SPIRIT OF THE AMERICAN GOALS. THE DECISIVE POINT FOR ME IS THAT THE ECONOMIC INTERESTS OF THE U.S. HAVE THUS FAR NOT BEEN DEMONSTRABLY HURT; BASED ON MY PERCEPTION OF THE SITUATION, THIS WILL NOT BE ANY DIFFERENT IN THE FUTURE.

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GERMAN IMPORTS OF SWEET ORANGES FROM THE U.S. HAVE
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TRENDED UPWARD IN THE FACE OF STRONG YEARLY CROP-,
QUALITY,- AND PRICE SWINGS, EVEN IF THE U.S. SHARE OF
TOTAL GERMAN IMPORTS OF ORANGES REMAINS VERY SMALL.
THIS IS PRIMARILY THE RESULT OF THE HIGH PRICE OF
AMERICAN ORANGES, NOT OF THE DUTY PREFERENCES GRANTED
SEVERAL COUNTRIES. A COMPARISON OF IMPORT VALUES
SHOWS THAT PRICES OF AMERICAN SWEET ORANGES ARE AT
TIMES FAR ABOVE THOSE FOR MOROCCAN, SPANISH, OR
ISRAELI ORANGES--THIS PARTICULARLY DURING THE WINTER

MONTHS WHEN DEMAND IS GREATEST ON THE GERMAN MARKET.
THE PRICE DIFFERENCES ARE SO GREAT THAT THE DIFFERING
INCIDENCE OF THE DUTY NO LONGER PLAYS A ROLE. THE
U.S. ALSO SUPPLIES AT HIGHER PRICES THAN OTHER
THIRD COUNTRIES WHO EXPORT UNDER THE SAME DUTY
CONDITIONS. SOUTH AFRICA, FOR EXAMPLE, HAS EXPORTED
FAR MORE THAN THE U.S. TO THE FEDERAL REPUBLIC FOR
YEARS.

AS TO YOUR REFERENCE TO THE GATT, DUTY PREFERENCES
ARE MOST CERTAINLY IN ACCORD WITH GATT REGULATIONS
(ARTICLE XXIV--CUSTOMS UNION AND FREE-TRADE ZONES).
AN INCREASE OF THE DUTY PREFERENCE WOULD BE A STEP
CONSISTENT WITH THE CREATION OF A CUSTOMS UNION OR A
FREE-TRADE ZONE IN THE SPIRIT OF GATT ARTICLE XXIV.

I THUS ASK YOUR UNDERSTANDING FOR OUR SUPPORT OF THE
INCREASE IN DUTY PREFERENCES FOR ORANGES FROM ISRAEL,
TURKEY, AND THE MASHREK COUNTRIES.
SINCERELY, SIGND ROHR."
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